Defense Supply Center Richmond

Acquisition Initiatives

DSCR Business Conference

7-10 June 2004

Agenda

- Long Term Contracts
- Mid 909 - Government Source Inspection
- Time Definite Delivery (TDD) Standards Formerly Uniform Materiel Movement And Issue Priority Systems (UMMIPS)
- Pricing - Post Award Review Team (PART)

Why Long Term Contracts?

- Better Meet Needs Of The Warfighter
  - Places Both High And Low Frequency NSNs On LTC (Focuses On SMS NSNs First)
  - Provides Reduced Acquisition Lead Time(ALT)
  - Provides Fixed Production Lead Time (PLT) For Planning Purposes
- Reduces Long Term Administrative Burden For Contractors

Corporate Contract Goals

- Shift From Individual Contracts To Long-Term Grouping Of Requirements Based On Anticipated Demands
- Improve Readiness Through Increased Efficiencies In Buying And Reduced Lead-Times
- Reduce DLA Inventories
- Introduce Best Commercial Practices
- Increase Use Of IT And EDI

Contractor Advantages

- Eliminates Multiple Contracts
- Reduction In Administrative Time And Costs In The Long-Run
- Long-Term Agreements And Consolidated Demand Result In Better Deals With Suppliers
- Data Sharing Provides Better Visibility Of Demand Leading To Better Projections Of Demand
- Central DLA Buying Focal Point
  - Increase Efficiency And Consistency In Dealing With DLA – Fewer POCs And One Set Of Terms And Conditions

Government Advantages

- Increases Efficiency And Reduce Administrative Effort
- Decreases ALT And PLT
- Reduces Inventories
- Improves Supply Availability
- Lowers Costs
- Expands Partnering With Contractors

Customer Advantages

- Leverages DLA Buying Power
- Focuses On Customer Support
  - Improves Readiness Of Various Weapon Systems
  - Provides On-Time Delivery To End-Users
  - Satisfies Requirements For Multiple Years
  - Provides Predictable PLT Times Leading To Better Supply Availability

Two Approaches

- Corporate Contracts
- Market Baskets

Corporate Contracts

- **Features**
  - **Sole Source Items On A Single Contract**
  - **Develop Long-Term Relationships Based On DLA's Total Requirements (DSCC, DSCP, And DSCR)**
  - **Requirements-Type Contracts**
  - **Allows Flexibility And Efficiency In Negotiating Contract Terms**
    - **Negotiate Terms Once For The Entire Population Of Items**
    - **Price Items In Groups And Grow The Contract Over Time**
    - **Negotiate Length Of Contract**
    - **Tailored SOW And RFP**

Corporate Contract Challenges And Solutions

- Contractors New To Concept And May Have Difficulty With Allocating Resources For Pricing
  - Work With Vendor To Determine How Many Groups Of NSNs To Price Per Phase
  - Start With Small Population And Highest Demand Items, Then Grow Contract
  - Add Infrequent NSNs As Un-Priced

Corporate Contract Challenges

- **Difficult For Contractors To Price Low Demand NSNs**
  - **Vendor Can Provide DLA With Economical Order Quantities**
- **Multi-NSN Procurements Result In Higher Dollar Values**
  - **Cost Or Pricing Data And Sub-Contracting Plan Requirements**
    - **Establish Pricing Methodology And Streamline Process – Ex. FPA**
    - **DCAA And DCMA Can Provide Assistance In Developing Cost Accounting Systems**
    - **DSCR-DU Can Provide Sub-Contracting Plan Template And Guidance**

Market Baskets

- Fully Competitive Items Grouped Together Based On Similar Manufacturing Processes (WICAP Groupings)
- Indefinite Delivery Indefinite Quantity (IDIQ) Type Contracts
- Contract Length – 5 Years (2 Or 3 Year Base Period, With One-Year Option Provisions)

Market Basket Lessons Learned

- **Limited Success With:**
  - **Weapon System Focus**
  - **Large Number Of NSNs**
  - **Narrowly-Focused Set-Asides**
  - **Limited-Source Acquisitions**
- **Greater Success With:**
  - **WICAP Groupings Focused On Our Business Units**
  - **25-50 NSNs At A Time**
  - **100% Small Business Set-Asides**
  - **Fully Competitive Item Descriptions**

Market Basket -Important Points

- FOB DESTINATION TERMS
  - MID 909 Inspection/Acceptance Terms At Destination
  - Cannot Award FOB Origin, I/A Point Destination
- INDEFINITE QUANTITY FORECASTS
  - MOQs = 25% x Previous 4 QTR QTY
  - EDQs = Forecasts Based On SOH, D/I, QFD, B/Os
    - Consider MOQ When Setting Prices If EDQ Is Zero

Market Basket- Important Points (Cont)

- **Fair And Reasonable Price Determination:**
  - **Base Period Unit Price Must Be In Line With Government's Expected Price**
    - **Government's Expected Price Derived From Historical Fair & Reasonable Price W/ PPI Escalation And Quantity Difference Consideration**
    - **Unbalanced Pricing For The Base Period**
- **Additional Factors For Price Reasonableness Determination:**
  - **Adequate Manufacturer Competition**
  - **Option Period Escalation Rates**

Market Basket Useful Websites

Special Acquisitions:

http://www.dscr.dla.mil/proc/VPV/vpvhome.htm

Market Baskets:

www.dscr.dla.mil/kd

Information On Specifications/Standards:

http://assist.daps.dla.mil/ or http://www.dodssp.daps.mil

Drawings:

http://www.dscr.dla.mil/tdmd/mb_index.asp

Procurement Gateway:

http://www.dscr.dla.mil/proc/gateway/pg.htm

WICAP Information:

http://www.dla.mil/supplier/WICAP01.asp

FedBizOpps:

www.fedbizopps.gov

BSM Website:

https://dlaweb.bsm.dla.mil/SRweb/

Summary

- Long Term Contracts Have Numerous Advantages To The Warfighter, The Contractor, And DLA
- Mix Of High And Low Demand Items Is Necessary
- Assistance Is Available To Overcome Barriers To LTCs
- DLA Is Constantly Improving Our Approach And We Welcome Your Feedback

Government Source Inspection (GSI)

- On Aug 20, 2003 Proposed DFARS Case 2002-D032 Was Issued
- Represents **Major** Changes To DFARS 246 For Buying Activities
- States Buying Activities Shall Not Delegate Contract Administration To DCMA Or Require GSI On Contracts, Purchase Orders Or Delivery Orders Valued Below $250,000 Unless- (Exceptions)

Government Source Inspection (GSI) (Cont)

Exceptions:

- **Mandated By DoD Regulation**
- **Required By Memorandum Of Agreement (MOA)**
- **Contracting Officer Determination**
  - **Significant Contract Technical Requirements;**
  - **Critical Product Features/Characteristics; And**
  - **Award Made To A Manufacturer/Producer Or A Non-Manufacturer Or Non-Producer And Specific Government Verifications Have Been Identified As Necessary And Feasible To Perform**

Government Source Inspection (GSI) (Cont)

What Is DLA Doing To Prepare For The Change?

- Screening NSNs For The Purpose Of Reducing GSI
- Coordinating With DCMA To Establish Memorandum Of Agreement (MOA)
- Developing New Policy At Enterprise Level
- Implementing New Rules/Tools To Reduce Procurement Driven Origin Inspection

Government Source Inspection (GSI) (Cont)

What Can Vendors Do To Prepare For Change?

- **<u>Reconsider</u>** Requesting GSI When Not Technically Required
- Discuss Alternatives With Buyers
- Sign Up For Wide Area Work Flow (WAWF)
- Read Solicitations Carefully
  - Evaluation Rules May Change

Time Definite Delivery (TDD)

- Agency Policy Requires Delivery Terms That Meet TDD Standards For Requisition Processing As Promulgated In DoD Supply Chain Materiel Management Regulation DoD 4140.1-R, App 8.

Why Is TDD Important?

- Provides Customers With Defined Times For Requisition Processing And Measures Materiel Movement From Requisition Submission To Materiel Receipt.

Time Definite Delivery (TDD)

- Planned DVD Contracts Must Adhere To TDD To Ensure Maximum Support For Critical Warfighter Missions.
- DLA Director’s Memo Dated 11/22/02 Directed All ICP Commanders To Review All Existing DVD Arrangements For Compliance.

Time Definite Delivery (TDD) (Cont)

- **Abbreviated TDD Standards:**

For CONUS Shipments (Including To CCPs/Ports Of Loading)

	FOB Destination	FOB Origin
➢ Priority 01-03	2 days	1 day
➢ Priority 04-15*	5 days	1 day
➢ Priority 04-15	10 days	3 days

For OCONUS Direct Shipments (Excludes CCPs/Ports)

	FOB Destination	FOB Origin
➢ Priority 01-03	10 days	1 day
➢ Priority 04-15*	14 days	1 day
➢ Priority 04-15	23 days**	3 days

* (With RDD Of 444, 555, 777, N**, E** Or Julian Date Within 8 Days Of Order Receipt.)

** While TDD Delivery Is Specified As Not More Than 23 Days, DSCR Policy For LTCs Is To Specify A Shorter Delivery, When Realistic.

TDD Exceptions

- **LTC Supports A Specific Customer And The Customer Has Agreed To The Specified Delivery Times.**
- **LTC Is Only For Non-NSN, Part-Numbered Items.**
- **LTC Is For Commercially Available Items (Household/ General Purpose Items Only) Where The Vendor Can Support A Contract Delivery Date Not More Than 3 Days Greater Than TDD Total Order To Receipt Time (TORT).**
- **LTC Is For Non-Stocked Items Only (Acq Adv Code "J"). Efforts Should Still Be Made To Negotiate Delivery As Close As Possible To TDD Standards.**
- **LTC Is For Kits Used By Maintenance Depots.**

Time Definite Delivery (TDD)

What If TDD Cannot Be Met?

- If The Item Meets An Exception, May Be Able To Add Additional 3 Days To Delivery (Commercial).
- Remove DVD From Arrangement. Continue LTC With Stock Support Only.
- Support By Business Case Analysis

Post Award Review Team (PART)

- **Purpose:**
  - **To Address Potential Overpricing Concerns**
  - **Seek Corrective Actions When Overpricing Is Confirmed**
  - **Take Actions To Prevent Future Overpricing**
- **Mandates:**
  - **Public Law 105-261**
  - **DoD IG Report Dated May 30, 2001**
  - **GAO Report Dated April 2002**
  - **DSCAP 15.404-1(b)(7)**

PART (Cont)

- **Process:**
  - **Pace/BPA**
    - **Monthly Data Query Of Automated Contracts**
    - **Contractor Is Contacted For Supporting Data/Explanation Where Overpricing Is Indicated**
  - **Manual Awards**
    - **Quarterly Data Query Of All Contracts**
    - **Price Analysis Used To Identify Potential Overpricing**
    - **Contractor Is Contacted For Supporting Data/Explanation Where Overpricing Is Indicated**
    - **Contractor Response Is Reviewed To Determine If Explanation Is Adequate Or Corrective Action Required**

PART (Cont)

- Corrective Actions:
  - Voluntary Refunds
  - Breakouts/Reverse Engineering Considered
  - Coordinate With Program Managers And Major OEMs To Develop Solutions

QUESTIONS?